

CLARIFICATION OF QUERIES RELATING TO THE AUCTION OF 2G SECOND GENERATION MOBILE COMMUNICATION SPECTRUM RIGHTS

Terms and expressions used in IDA's responses are defined in the Auction Rules as set out in Appendix 1 to the Information Memorandum issued by IDA on 27 July 2001. The Auction Rules relate to the procedures by which IDA may grant or allocate the 2G Spectrum Rights.

Q1. *According to Section 7.10.2 of the Auction Rules, a Bidder may exercise one or more Waivers in a Round, provided that the total number of Waivers exercised up to that point does not exceed three and the number of Waivers exercised does not exceed the number of Bidding Rights. As such, could IDA please clarify that Section 7.2.1(b) should allow for the exercise of one or more Waivers?*

IDA's Response: Section 7.2.1 (b) allows a Bidder to notify IDA of the exercise one or more Waivers in a Round, subject to the provisions of Sections 7.10.1 to 7.10.4 on the exercise of Waivers.

Q2. *Could IDA clarify the implication of the use of a Waiver in terms of the Going Price for subsequent Rounds? If a total of 6 or less Valid Bids at the Going Price are submitted in a Round while any remaining Bidding Rights are preserved by the exercise of Waivers (such that the auction continues), then would the bid increment be set at zero and the Going Price in the subsequent Round be unchanged, since the expressed demand is equal to or less than the supply of 2G Spectrum Lots?*

IDA's Response: The bid increment would be set at zero and the Going Price in the immediately following Round would be the same as the Going Price in the immediately preceding Round in the situation outlined.

Q3. *In the "Notification of Policy Changes to 2G Radio Frequency Spectrum Allocation and Pricing" dated 27 July 2001, it states that if the Auction proceeds, the annual fee for existing allocated 2G Spectrum will be revised to the Going Price at the auction's Final Round plus a 2.5% increment with effect from 1 Oct 2002, and increase by 2.5% for each subsequent year. Based on the design of the 2G Auction, a possible outcome is that not all lots will be awarded to successful Bidders at the Going Price of the Final Round, since the rules allow for awards to be made at Exit Prices specified by Bidders. Exit Prices would be lower than the Going Price of the Final Round. In such event, what is the basis for pricing existing spectrum at the highest price bid, i.e., the Going Price, particular in the case where the affected operator does not bid the Going Price for new spectrum? Typically auction awards are based on either the lowest price at which the market clears or a "pay-as-you-bid" formula. Since IDA needs to price existing spectrum for all operators, including any operator who may choose to drop out of the auction for new spectrum, MI would*

advocate pegging the price of existing 2G Spectrum to the Going Price only if all six lots are awarded at such price. Otherwise it should be pegged to the lowest Exit Price at which an award is made.

IDA's Response: The 2G Auction provides for the submission of a Valid Bid of an Exit Price, which allows a Bidder to make an offer for a 2G Spectrum Lot at an amount acceptable to such Bidder in a situation, where such offer is higher than the Going Price in the previous Round but lower than the Going Price in the next Round, before exiting in the next Round. The objective of providing for such Valid Bids at an Exit Price in the Auction is to minimise the potential for unsold lots where possible. As such, Valid Bids at an Exit Price may not reflect the market valuation of the spectrum resource. This is the reason that the annual fee for existing allocated 2G spectrum will not be tied to the Exit Prices submitted in the Auction. Tying the annual fees for existing 2G spectrum to the Going Price in the Final Round of the Auction is, in the opinion of IDA, more likely to reflect the market valuation of 2G spectrum. Therefore, the annual fee for existing allocated 2G spectrum will be set at 102.5% of the Going Price in the Final Round of the 2G Auction with effect from 1 October 2002 and increased by 2.5% for each subsequent year thereafter for the next 6 years.

Q4. *IDA has stated in section 11 that further 2G/2.5G Spectrum may be allocated at any time and there is no commitment by IDA to any moratorium period during which no such allocation will take place. The only indication from IDA is the assurance of a six-month notice prior to any future Spectrum allocation. No mention has also been made about when and in what manner the Spectrum will be allocated. The absence of information on when and how all available spectrum will be allocated will affect an operator's valuation of the Spectrum very significantly. This will create uncertainty and will impact on bidder's Spectrum valuation in the forthcoming auction.*

Will IDA provide more details on when the additional Spectrum be allocated and in what form so that operators could more accurately assign the appropriate value to the Spectrum in the forthcoming auction?

IDA's Response: IDA has decided against setting a moratorium for the release of 2G spectrum not allocated as it is difficult to anticipate market developments and the demand for such additional spectrum. For instance, it would not be appropriate for IDA to make a commitment that the reserve price in subsequent allocations will not be lower than the current Reserve Price of S\$120,000 as the size of the spectrum lot(s) and the duration of the spectrum right in subsequent allocations may be different. While IDA does not expect to allocate the remaining spectrum in the short-term, if IDA determines that there is a need for a subsequent allocation of 2G spectrum, IDA will give a six-month notification period for the relevant persons to make the necessary preparations to participate in such allocation exercise.

Q5. *The size of each 2G Spectrum Lot to be auctioned is 2 x 5 MHz and Spectrum trading is permitted, subject to IDA's approval. Can the size of a traded Spectrum Lot be smaller than 2 x 5 MHz?*

Q6. *If so, will IDA set a minimum Spectrum Lot size, and what would be the minimum size of the Spectrum Lot, for purposes of trading?*

IDA Response: A successful Bidder will be able to trade the spectrum assigned and specified under the 2G Spectrum Right awarded, whether on a 2 x 5 MHz basis or other frequency bandwidth sizes (including sizes of less than 2 x 5 MHz), subject to the conditions specified in Section A.13 of the Information Memorandum. IDA does not propose to set a minimum size of spectrum for the purpose of trading.

Q7. *Does the term "Spectrum Trading" solely refer to "buying and selling of Spectrum"? Is an operator, for example, permitted to "lease" Spectrum resource to other operators?*

IDA's Response: Subject to such conditions as IDA may generally or specifically impose, a successful Bidder granted a 2G Spectrum Right may assign or otherwise deal with, the whole or any part of its 2G Spectrum Right. Therefore, a successful Bidder will be allowed to lease spectrum falling under its 2G Spectrum Right to other operators.

Q8. *Please confirm that the Existing Spectrum that has been allocated to the operators will attract the same Spectrum fee as the Going Price in the final round of the auction (or the Reserve Price of \$120,000), regardless of whether or not an operator is allocated any Spectrum Lot at the Exit Price, which is lower than the Going Price in the final round of the auction, under section 14.*

IDA's Response: IDA confirms this is correct.

Q9. *Please explain "clock auction" referred to in section 7.1.1 as the term has not been defined in Part VII – Definitions or in any sections of the Information Memorandum.*

IDA's Response: The clock auction is the auction process described in the Auction Rules. In brief, in a clock auction, the auctioneer increases the Going Price in each Round and asks Bidders how many 2G Spectrum Lots they are willing to submit a Valid Bid for at the Going Price in a Round. Bidders may also submit a Valid Bid at an Exit Price, which is higher than the Going Price in the immediately preceding Round but lower than the Going Price in the immediately following Round. The Auction closes when the number of 2G Spectrum Lots in demand equals, or is less than, the number of 2G Spectrum Lots offered at the Auction and no Bidder

exercised, or was deemed to have exercised, a Waiver in that Round. Please refer to the Auction Rules for further details.

Q10. *Under section 7.6.2, the Going Prices in the second and subsequent rounds are ascertained by the Going Price in the preceding round plus the relevant bid increment which is determined by IDA. What is the basis which IDA determines the relevant bid increment for each subsequent round other than the cap of 20% over the Going Price of the preceding round mentioned in section 7.8.1?*

IDA's Response: The relevant bid increment is set at the discretion of IDA taking into consideration the Valid Bid and Exit Price submissions from the previous Rounds, but subject to the bid increment not exceeding 20% of the Going Price in the immediately preceding Round.

Q11. *Is there a minimum bid increment?*

IDA's Response: No.

Q12. *Under section 5.2(b) and 7.11.1(c), will information be provided in respect of the number of bidding rights that each bidder has?*

IDA's Response: No. Information will only be provided as to how many Bidding Rights in total remain in a Round. No breakdown will be provided to a Bidder of how many Bidding Rights any other Bidder has remaining in a Round. However, each Bidder will be provided a personal summary setting out how many Bidding Rights it individually has remaining in a Round.

Q13. *After a waiver has been exercised, is it possible to submit bids for a smaller number of Lots than the previous round, but without submitting an Exit Price for the Lots for which a bid was not submitted?*

IDA's Response: Yes. In such a case, the number of Bidding Rights for that Bidder will be reduced accordingly.

Q14. *In the second round of the auction, say, 7 valid bids were received in the following manner:*

a) *3 bids for each Lot with Going Price of \$170,000;*

b) *1 bid with Exit Price of \$165,000;*

- c) 1 bid with Exit Price of \$160,000; and
- d) 2 bids with the exercise of a Waiver.

According to the Auction Rules, the auction will deem to have ended in the second round as the auction could not proceed to the next round with bids for less than 6 Lots. 5 Spectrum Lots would have been awarded to bidders in (a), (b) and (c). As such, in what manner would the last Lot be awarded as 6 Spectrum Lots in total are to be auctioned?

IDA's Response: As stated in Section 10 of the Auction Rules, the Auction will be closed the first time a Round ends during which (a) the aggregate number of Bidding Rights is six or less; **and** (b) no Bidder exercised, or was deemed to have exercised, a Waiver. Since 2 Waivers have been exercised in the above example, the Auction will continue.

Should less than 6 2G Spectrum Lots be awarded in this Auction, the remaining 2G Spectrum Lot(s) not awarded will be retained by IDA. Depending on market developments, IDA may decide to allocate this spectrum in a future allocation exercise as IDA deems appropriate. See IDA's response to Q4.

Q15. IDA has said that each successful Bidder will be granted one 2G Spectrum Right in respect of all the 2G Spectrum Lots awarded to it in the Auction. Please clarify:

i. are there any restrictions in terms of allocation of use of each 2G Spectrum Lot that a successful Bidder receives with the Spectrum Right?;

IDA's Response: There are no restrictions except for the terms and conditions contained in the 2G Spectrum Right awarded, which includes the requirement that the spectrum is only used for the purposes of providing 2G and/or 2.5G mobile communication services in Singapore.

ii. will the successful bidder be able to use the Spectrum Lot in any fragmentation up to the its smallest unit of 200khz in conjunction with the GSM900 or GSM1800 network system deployed?

IDA's Response: Yes.

Q16. The Reserve Price for each 2G Spectrum Lot is stated as S\$120,000, which price is exclusive of goods and services tax (GST). We note that in the earlier set of auction rules for 2G Spectrum Rights issued on 8 May 2001, the reserve price was stated as inclusive of GST. Please confirm whether the Reserve Price for each 2G Spectrum Lot here is \$120,000 or \$120,000 + GST of 3%.

IDA's Response: The Reserve Price for each 2G Spectrum Lot in this Auction is S\$120,000, which price is *exclusive* of GST. The successful Bidders shall pay the GST separately.

Q17. *2G Spectrum Rights, FBO Licences and Station/Network Licence(s)*

i. Please confirm that the amendments to the existing Station/Network Licence(s) will give the successful bidder the flexibility to tie the 2G Spectrum Lot to any network code, as this will be important in implementing an integrated 2G/3G network.

IDA's Response: IDA confirms this is correct. IDA accepts that, under the circumstances, the Station/Network Licence may be amended to permit the respective licensee to use the equipment referred to in such licence within the radio frequency spectrum awarded to the licensee under the Auction. From 1 October 2002, all 2G radio frequency spectrum currently allocated to licensees operating PCMTS will be replaced with the issue of 2G Spectrum Rights. At that time, the Station/Network Licence will accordingly be replaced with a Station/Network (Spectrum) Licence in accordance with Regulation 23(1) of the Telecommunications (Radio-Communication) Regulations 2001.

ii. Successful bidders will be required to pay the fees for the 2G Spectrum Lots (which includes an Application and Processing fee of \$22,500 in respect of each 2G Spectrum Lot) and pay the annual licence fees of 1% of AGTO, as well as pay the Station/Network Licence fees. As successful bidders are already paying the auction price for the 2G Spectrum Lots, please explain the rationale for continuing to impose these licence fees.

iii. We note that imposition of such licence fees deviates from the recent 3G auction rules under which successful bidders were not required to pay any the annual license fees. Please explain the rationale for the difference in approach between the 2G Spectrum Auction and the 3G Spectrum Auction. Further, we request that IDA waives the 1% of AGTO annual licence fee in order to reduce the financial burden on successful bidders.

IDA's Response: The objective of adopting an auction approach was to use a market-driven process to replace the traditional administrative allocation approach. Under the traditional approach, operators have always paid annual spectrum fees albeit on a cost-plus recovery basis. In the 3G auction, the S\$100m reserve price comprised both the spectrum fees and the 3G licence fees for the duration of the licences. This was stated and made clear to 3G bidders so that they would factor this into their business cases and bidding accordingly. However, the Reserve Price for the 2G Auction is only in respect of a 2G Spectrum Lot, granted for the seven-year duration of the 2G Spectrum Right awarded to successful Bidders. IDA has stated clearly that operators will continue to pay the existing annual FBO Licence fees of 1% of annual gross turnover. Bidders in the 2G Auction should therefore make their own commercial

assessment of the valuation of 2G Spectrum Lots offered at the Auction. The annual fees payable for their Station/Network Licences will also continue to be applicable.

iv. *We note the reference to 2G and/or 2.5G mobile services. We assume that the IDA definition of 2G and/or 2.5G mobile services includes Enhanced Data Rate for GSM Evolution services. We would appreciate IDA's confirmation on this.*

IDA's Response: IDA confirms this is correct.

Q18. *We request that IDA elaborate further on the Spectrum trading rights. For example, please confirm that the successful bidder will be able to trade the 2G Spectrum Lots separately or on a per frequency basis.*

IDA's Response: See IDA's responses to Q5 and Q6. A successful Bidder will be able to trade the spectrum assigned and specified under the 2G Spectrum Right awarded, whether on a 2 x 5 MHz basis or other frequency bandwidth size (including sizes of less than 2 x 5 MHz), subject to the conditions specified in Section A.13 of the Information Memorandum.

Q19. *"Bidding Rights" is not defined.*

IDA's Response: A "Bidding Right" is simply the right that a Bidder has to submit a Valid Bid in respect of a 2G Spectrum Lot. The number of Bidding Rights a Bidder has in the first Round of the Auction will be based on the number of 2G Spectrum Lots that such Bidder specifies in its Initial Offer. For example, if a Bidder specifies in its Initial Offer that it is willing to submit Valid Bids in respect of 2 Spectrum Lots, this means that it will have 2 Bidding Rights when the Auction commences, i.e., it will have the right to submit Valid Bids in respect of 2 2G Spectrum Lots in the first Round.

Q20.

i. *Whilst we could appreciate the requirement for a Banker's Guarantee in the context of the 3G Spectrum Auction where participation in the auction was open to any party, in the context of the 2G Spectrum Auction only the three existing PCMTS and/or 3G licensees are participating in the auction. In this context, it does not seem appropriate nor necessary for IDA to impose a Banker's Guarantee requirement. MobileOne (Asia) Pte Ltd, Singapore Telecom Mobile Pte Ltd and StarHub Mobile Pte Ltd are well-established providers of mobile telecommunications services in Singapore and are known entities to IDA. IDA is exposed to little (if any) risk. In light of the above, we request that IDA consider waiving the requirement for Banker's Guarantees.*

IDA's Response: IDA is aware of the status of the three existing mobile operators as established entities. Nevertheless, IDA requires the submission of Bank Guarantees to ensure that Bidders carefully consider their Initial Offer and their actions during the Auction, including in particular complying with the Auction Rules.

ii. *Notwithstanding the above, we seek greater clarity as to requirement for an additional banker's guarantee and the operation of the requirement. IDA has stated that a Bank Guarantee to cover the Initial Guaranteed Amount (calculated by multiplying the Reserve Price by the number of 2G Spectrum Lot(s) for which the Eligible Bidder submits an offer in its Initial Offer) is required. Where the aggregate value of all Valid Bids submitted by a Bidder in a Round equals or exceeds S\$1 million, an Additional Bank Guarantee for an amount of S\$1 million must be submitted by such Bidder to IDA.*

Could IDA please explain the rationale in having an additional S\$1 million Bank Guarantee after the first initial Bank Guarantee. If, for example, a bidder has three lots of initial bank guarantee at S\$360,000 (3 x S\$120,000), once the aggregate total bids in a round reaches S\$1 million, it would appear that the bidder would be required to provide an additional Bank Guarantee for another S\$1 million. This would mean that the bidder would have provided Bank Guarantees totaling S\$1.36 million in respect of aggregate bids of S\$1 million. This appears inappropriate and excessive. Please confirm that once the aggregate bids reaches S\$1 million, the bidder will be required to submit an additional Bank Guarantee such that the total value of the bidders' Bank Guarantees would equal S\$1 million.

IDA's Response: The requirement for the Additional Bank Guarantee is to ensure that going forward, the amount of a Bidder's Bank Guarantees provided to IDA is sufficient to cover that Bidder's further bidding as the Auction progresses. Therefore, IDA has set the amount of the Additional Bank Guarantee at S\$1 million.

Q21. *IDA indicates that any 2G Spectrum Lots that are not provisionally awarded in accordance with Section 2.5.1 may be offered by IDA either via auction or allocated in such other manner as IDA deems appropriate. We raise the following queries:*

i. *If IDA decides to award remaining 2G Spectrum Lots (that were not provisionally awarded) by way of an auction, please confirm that IDA will maintain the reserve price for such lots at S\$120,000 per lot.*

ii. *If IDA is unable to confirm that the reserve price for 2G Spectrum Lots subsequently allocated by way of an auction will not be \$120, 000, please advise whether IDA intends to increase or reduce this reserve price. Further, please identify the factors which IDA would consider when deciding whether the reserve price should increase or decrease.*

In terms of the allocation of the remaining 2G spectrum, what are the other methods that IDA deems appropriate and what are the specific rules governing such other allocation methods?

IDA's Response: See IDA's response to Q4.

Q22. IDA has stated that A Bidder which has been issued a Provisional Award Notice will prior to the Final Payment Date (which is seven Business Days after the date of issue of the Provisional Award) transfer the 2G Spectrum Initial Payment to the IDA Bank Account. IDA has also stated that if the 2G Spectrum Right Initial Payment is received prior to or on the Final Payment Date, IDA will grant that bidder a 2G Spectrum Right and return that bidder's Bank Guarantee within seven business Days of the Final Payment Date. However, if the 2G Spectrum Right Initial Payment is not received prior to the Final Payment Date, that Bidder will not be granted a 2G Spectrum Right. IDA may then determine that that bidder is subject to a Forfeiture in accordance with Section 8.2 and IDA may draw down upon that Bidder's Bank Guarantee for an amount up to the Guaranteed Amount.

Please confirm that regardless whether the 2G Spectrum Right Initial Payment is transferred to the IDA Bank Account prior to or on the Final Payment Date, as long as the 2G Spectrum Right Initial Payment is received prior to or on the Final Payment Date, IDA will grant the 2G Spectrum Right and return the Banker's Guarantee to the Bidder.

IDA's Response: IDA confirms this is correct.

Q23. How does the duty to inform the IDA of errors pursuant to Section 19.1 affect this provision (6.3(d))? If a Bidder informs IDA of an error in the auction documents (as required under Section 19.1), will the Bidder be treated as having disputed the authentication and/or accuracy of that document?

IDA's Response: Section 6.3 sets out the rules pertaining to the Bidding Procedure by which Bidders are required to abide. IDA does not consider the obligations in Section 6.3 to be inconsistent with the obligations under Section 19.1. Section 19.1 relates to a Bidder's obligation to inform IDA, at the earliest opportunity, of any errors that the Bidder knows or ought reasonably to have known that IDA may have made during the Auction process; while Section 6.3(d) relates to disputes on the authentication and/or accuracy of any document or any copy of any document in connection with the Bidding Procedure used in the Auction.

Q24. If a bidder obtains one Spectrum Lot at Going Price and one Spectrum Lot at Exit Price, what will the revised price for the existing 2G spectrum be tied to? The Going Price or the Exit Price?

IDA's Response: See IDA's response to Q8.

Q25. *The Bid Increment is to be determined by IDA and will not exceed 20% of the Going Price in the immediately preceding Round. Given that the Going Price could be either the Reserve Price at \$120,000 (for the 1st round) or more than the Reserve Price (for subsequent Rounds), a bid increment at an amount equivalent to of 20% of at least \$120,000 would be very high. We recommend that IDA considers using a multiple of \$1000 as bid increment.*

IDA's Response: See IDA's response to Q10. It is IDA's assessment that bid increments fixed at S\$1,000 are not appropriate.

Q26. *Would IDA please confirm if each bidder has 3 waivers regardless of the number of bidding rights he/she has.*

IDA's Response: IDA confirms this is correct.

Q27. *When a waiver is submitted, could IDA please confirm if the bidder who submits the waiver be bounded to the Going Price of the preceding round or the current round? If it is the latter, would IDA please explain the difference in submitting a Waiver to submitting a valid bid at the Going Price of the current round?*

IDA's Response: A Waiver simply means a right exercisable, or deemed to be exercised, in a Round by a Bidder in accordance with Section 7.10.2 or Section 7.10.3 of the Auction Rules to enable a Bidder to refrain from making a Valid Bid in a Round in respect one Bidding Right held by such Bidder and to retain such Bidding Right in the immediately following round. As such, should a Bidder exercise a Waiver in respect of one Bidding Right in Round X for example, it means that the Bidder has not submitted a Valid Bid at the Going Price (S\$xxx) in Round X nor an Exit Bid. Should this Bidder decide to submit a Valid Bid in the following Round Y, the Valid Bid submission would be for the Going Price (S\$yyy) in Round Y. Otherwise, a Valid Bid at the Going Price will remain legally binding until commencement of the Round immediately following the Round in which the relevant Valid Bid was submitted, in accordance with Section 7.3.5(a).

Q28. *Two sub-sections have been numbered 7.12.1. The second sub-section should be re-numbered 7.12.2.*

IDA's Response: Noted.

Q29. *What conduct constitutes conduct “prejudicial to the Auction”?*

Q30. *What conduct constitutes conduct “that disrupts the Auction”?*

IDA’s Response: Any action that would adversely affect the Auction and/or breach the Auction Rules will constitute conduct which is prejudicial to and/or which disrupts the Auction

Q31. *The reference to Section 11.1(c) in the second line should be a reference to Section 11.1(b) instead?*

IDA’s Response: Noted.

Q32. *We note the intent to use a random draw method to the bidder to whom IDA will select the bidder to whom the Spectrum Lot will be provisionally awarded if there is a tie in the ranking of the amount of the Exit Prices specified by the bidders. In relation to this random draw, we request the following:*

i. *Please provide details of the random draw procedure and rules with respect to the random draw.*

ii. *To ensure an open and transparent random draw process, please confirm that bidders who are in the draw will have the right to send a representative to witness the random draw.*

IDA’s Response: Sufficient information regarding the random draw method will be provided to Bidders at the Information Session, when IDA will demonstrate the random draw method. IDA does not consider it appropriate that Bidders or their representatives be present to witness the random draw.

Q33. *IDA has stated that the annual charge for a 2G Spectrum Lot shall be an amount equal to the Base Year Charge in the first year of the duration of a 2G Spectrum Right and shall increase by 2.5% in each subsequent year. We wish to raise the following queries/points:*

i. *we assume that the increase of 2.5% is over the annual charge of the previous year, and assuming that the Base Year Charge in the first year for a 2G spectrum Lot is \$120,000, the annual charge for the duration of the right for that 2G Spectrum Lot would be as follows:*

Year	Fee	Amount Payable
Year 1	\$120,000	\$120,000
Year 2	\$120,000 + (2.5% * \$120,000)	\$123,000
Year 3	\$123,000 + (2.5% * \$123,000)	\$126,075
Year 4	\$126,075 + (2.5% * \$126,075)	\$129,226
Year 5	\$129,226 + (2.5% * \$129,226)	\$132,456
Year 6	\$132,456 + (2.5% * \$132,456)	\$135,767
Year 7	\$135,767 + (2.5% * \$135,767)	\$139,161

IDA’s Response: IDA confirms this is correct.

ii. *please clarify whether GST is to be separately levied on the annual charge for a 2G Spectrum Lot or is the annual charge inclusive of GST already? Using the example above, would the annual charge for a 2G Spectrum Lot in Year 2 be \$123,000 or \$123,000 + GST of 3%?;*

IDA’s Response: See IDA’s response to Q16. In the above example, GST will be levied on S\$120,000 in Year 1 and on the respective amounts payable in each subsequent year (Year 2 – Year 7).

iii. *we also request that IDA provides its rationale nor basis for determining the 2.5% increase in annual charge.*

IDA’s Response: The 2.5% increase in the Annual Charge accounts for inflation and is in line with the current inflation trend.

We note that the increase of 2.5% is relatively high and assuming that the Base Year Rate is equivalent to the Reserve Price of \$120,000 per Spectrum Lot, each bidder will end up paying a minimum price of \$900,000 or more per Spectrum Lot for the entire duration of the Spectrum Right. In light of the fact that the bidders are still expected to pay their annual FBO licence fees at 1% of AGTO and station/network licence fees, we request IDA to reconsider the annual charge for the 2G Spectrum Lot with a view towards reducing the overall annual charges to be paid by the bidders.

IDA’s Response: See IDA’s response to Q17(ii) and (iii).

Q34. *Re 12.3, please delete the words “will be returned” in the 11th line of this subsection.*

IDA’s Response: Noted.

Q35. *Please clarify for how long does the restriction on engaging in anti-competitive activity apply and also clarify whether it applies in the event that no auction takes place.*

IDA’s Response: This restriction in the Auction Rules applies from the date of the issuance of the Information Memorandum on 27 July 2001 until the end of the Auction process. Please note that all licensees will be subject to the provisions of the Telecom Competition Code.

Q36. *Re 19.2, please clarify:*

i. *what would constitute a “change in the ownership” as well as what would constitute a “change in the control structure”;*

ii. *the clause also provides that IDA may determine that a Bidder is no longer eligible to be granted a 2G Spectrum Right as a result of a change in ownership and/or control structure. Please clarify what are the criteria for eligibility;*

IDA’s Response: In determining whether a “change of ownership” and/or a “change in control structure” has occurred in respect of a Bidder, IDA will take into account various factors, including but not limited to whether there has been any change in:

- the composition of shareholders (whether direct or indirect) in the voting share capital of a Bidder.
- the ability of any person to direct the casting of votes exercisable at general meetings of the Bidder on all, or substantially all, matters.
- the right of any person to appoint or nominate directors of the Bidder’s board of directors.

IDA will exercise its discretion in determining whether a Bidder should no longer be eligible to be granted a 2G Spectrum Right as a result of a change of ownership and/or control. For example, IDA would be concerned if a change in ownership and/or control would result in two or more Bidders becoming associated with each other, and such association gives rise to the possibility of prejudice to the Auction. In such a case, IDA would assess whether such Bidders should be allowed to participate in the Auction, based on the particular facts of the case.

IDA recognises that it may not be practicable for Bidders to notify IDA of all changes in the ownership and/or the control structure of the Bidder’s shareholders, particularly

if the Bidder's shareholders include public listed companies. In such case, IDA will only take into account *material* changes to the ownership and/or control structures of a Bidder's shareholders. In determining whether a material change of ownership and/or a material change in the control structure has occurred in respect of any of the Bidder's shareholders, IDA will take into account various factors, including but not limited to whether there has been change in:

- the composition of shareholders holding (whether direct or indirect) 20% or more of the voting share capital of a Bidder's shareholder.
- the ability of any person to direct the casting of votes of more than 20% of the votes exercisable at general meetings of the Bidder's shareholder on all, or substantially all, matters.
- the right of any person to appoint or nominate directors of the Bidder's shareholder's board of directors holding a majority of the voting rights at meetings of the board on all, or substantially, all matters.

iii. *if the Bidder is excluded from the Auction, will its bank guarantee(s) be returned to the Bidder;*

IDA's Response: Yes.

iv. *for how long does the obligation under Section 19.2 apply?*

IDA's Response: This obligation applies from the date of the issuance of the Information Memorandum on 27 July 2001 From the the date on which a 2G Spectrum Right is granted to a relevant Bidder, the conditions set out in that 2G Spectrum Right will apply to that Bidder.

Part VII, Definitions

Q37. *"Additional Bank Guarantee" – The reference to Section 2.2.2 should be a reference to Section 2.2.4 instead.*

IDA's Response: Noted.

Q38. *"Bid Increment" – The reference to Section 7.81 should be reference to Section 7.8.1 instead.*

IDA's Response: Noted.